City of Mount Vernon, Georgia

Annual Financial Report

With Independent Auditors' Report

For the Year Ended December 31, 2018

City of Mount Vernon, Georgia
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ckt CHRISTIAN, KELLY, THIGPEN & CO.
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 280
1312 Bellevue Avenue
Dublin, GA 31040
478-272-1344 phone
478-275-4538 fax
www.cktcpa.com

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Mount Vernon

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Mount Vernon, Georgia, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* , issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Mount Vernon as of December 31, 2018, and the respective changes in financial position, and where applicable, cash flows thereof, and the budgetary comparison for General Fund, Hotel / Motel Fund, SPLOST Fund, and TSPLOST Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the pension schedules (pages 37 thru 39) be presented to supplement the basic financial statements. Such information, althought not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the united States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do no provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statemetns, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mount Vernon, Georgia's basic financial statements. The schedules of expenditures of Special Purpose Local Option Sales Tax proceeds are presented for purposes of additional analysis as required by the Official Code of Georgia 48-8-121, and are also not a required part of the basic financial statements.

The schedules of expenditures of Special Purpose Local Option Sales Tax are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of Special Purpose Local Option Sales Tax proceeds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 13, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Christian, Kelly, Thigpen & Co., LLC

September 13, 2019

City of Mount Vernon, Georgia
Statement of Net Position
December 31, 2018

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 43,129	$ 23,159	$ 66,288
Accounts receivable	123,123	63,933	187,056
Due from other governments	50,682	-	50,682
Capital assets, net of depreciation	1,136,561	2,441,606	3,578,167
Capital assets, nondepreciable	459,717	-	459,717
Total assets	1,813,212	2,528,698	4,341,910
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	90,329	-	90,329
Total deferred outflows of resources	90,329	-	90,329
LIABILITIES			
Accounts payable	36,373	-	36,373
Customer deposits	-	49,979	49,979
Payroll liabilities	2,198		2,198
Notes payable, due within one year	111,915	183,846	295,761
Net pension liability	255,235	-	255,235
Notes payable, due in more than one year	80,197	1,304,720	1,384,918
Total liabilities	485,918	1,538,545	2,024,463
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	32,248	-	32,248
Total deferred inflows of resources	32,248	-	32,248
NET POSITION			
Net investment in capital assets	1,404,166	953,040	2,357,206
Restricted for:			
Capital projects	64,210	-	64,210
Tourism	1,155	-	1,155
Debt service	-	183,846	183,846
Unrestricted	(84,156)	(146,733)	(230,889)
Net position	$ 1,385,375	$ 990,153	$ 2,375,528

The accompanying notes are an integral part of these financial statements.

City of Mount Vernon, Georgia
Statement of Activities
For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities:				
General government	$ 566,491	$ 20,342	$ -	$ -
Public safety	257,027	51,413	-	-
Sanitation and environmental	91,513	200,950	-	-
Streets and highways	269,892	-	-	237,417
Interest	7,597	-	-	-
Total governmental activities	1,192,520	272,705	-	237,417
Business-type activities:				
Water and sewer	705,875	694,448	-	-
Total business-type activities	705,875	694,448	-	-
Total	$ 1,898,395	$ 967,153	$ -	$ 237,417

General revenues:	
Insurance premium taxes	
Franchise taxes	
TAVT tax	
Sales taxes	
Other taxes	
Interest income	
Rents	
Miscellaneous	
Total general revenues	
Transfers in	
Transfers out	
Total transfers in (out)	
Change in net position	
Net position, beginning of year	
Net position, end of year	

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (546,149)	$ -	$ (546,149)
(205,614)	-	(205,614)
109,437	-	109,437
(32,475)		(32,475)
(7,597)	-	(7,597)
(682,398)	-	(682,398)
-	(11,427)	(11,427)
-	(11,427)	(11,427)
(682,398)	(11,427)	(693,825)
167,074	-	167,074
112,188	-	112,188
60,499	-	60,499
155,283	-	155,283
29,213		29,213
-	24	24
10,165	-	10,165
22,964	-	22,964
557,386	24	557,410
-	24,561	24,561
(24,561)	-	(24,561)
(24,561)	24,561	-
(149,573)	13,158	(136,415)
1,534,948	976,995	2,511,943
$ 1,385,375	$ 990,153	$ 2,375,528

City of Mount Vernon, Georgia
Balance Sheet
Governmental Funds
December 31, 2018

ASSETS

	General Fund	SPLOST Fund	T-SPLOST Fund	Hotel/ Motel Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 8,887	$ 4,652	$ 28,435	$ 1,155	$ 43,129
Accounts receivable	123,123	-	-	-	123,123
Due from other governments	19,559	27,803	3,320	-	50,682
Total assets	151,569	32,455	31,755	1,155	216,934
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	36,373	-	-	-	36,373
Payroll liabilities	2,198	-	-	-	2,198
Total liabilities	38,571	-	-	-	38,571
FUND BALANCE					
Restricted for:					
Capital projects	-	32,455	-	-	32,455
Transportation projects	-	-	31,755	-	31,755
Tourism	-	-	-	1,155	1,155
Unassigned	112,998	-	-	-	112,998
Total fund balance	112,998	32,455	31,755	1,155	178,363
Total liabilities and fund balance	$ 151,569	$ 32,455	$ 31,755	$ 1,155	$ 216,934

The accompanying notes are an integral part of these financial statements.

City of Mount Vernon, Georgia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
December 31, 2018

Total funds balances for governmental funds		$ 178,363
Capital assets used for governmental activities are not financial resources, and therefore, are not reported in the funds		1,596,278
Deferred outflows of resources are not due and payable in the current period and are not reported in the funds. These deferred outflows consist of pension related experience differences, assumption changes and contributions.		90,329
Deferred inflows of resources are not available to pay for current expenditures, and therefore, are not reported in the funds. These deferred inflows of resources consist of pension related differences between projected and actual earnings on plan benefits.		(32,248)
Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities:		
Net pension liability	(255,235)	
Notes payable	(192,112)	
		(447,347)
Total net position of governmental activities		$ 1,385,375

The accompanying notes are an integral part of these financial statements.

City of Mount Vernon, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	General Fund	SPLOST Fund	TSPLOST Fund	Hotel/Motel Fund	Total Governmental Funds
REVENUES					
Charges for services	$ 234,223	$ -	$ -	$ -	$ 234,223
Fines	18,140	-	-	-	18,140
Sales taxes	155,283	-	-	-	155,283
Insurance premium taxes	167,074	-	-	-	167,074
Franchise taxes	112,188	-	-	-	112,188
Other taxes	87,159	-	-	2,553	89,712
Licenses and permits	20,342	-	-	-	20,342
Rent revenue	10,165	-	-	-	10,165
Miscellaneous	22,964	-	-	-	22,964
Intergovernmental	-	168,138	69,279	-	237,417
Total revenues	827,538	168,138	69,279	2,553	1,067,508
EXPENDITURES					
Current:					
General government	490,211	-	-	1,342	491,553
Streets and highways	-	76,426	107,876	-	184,302
Public safety	242,414	-	-	-	242,414
Sanitation and environmental	89,892	-	-	-	89,892
Debt Service:					
Principal	38,910	28,672	-	-	67,582
Interest	1,288	6,309	-	-	7,597
Capital outlays:					
General government	113,748	-	-	-	113,748
Public safety	10,565	-	-	-	10,565
Total expenditures	987,028	111,407	107,876	1,342	1,207,653
Excess of revenues over/(under) expenditures	(159,490)	56,731	(38,597)	1,211	(140,145)
OTHER FINANCING SOURCES (USES)					
Loan proceeds	115,188	-	-	-	115,188
Transfers in	54,939	13,500	40,500	-	108,939
Transfers out	(27,500)	(52,400)	(52,000)	(1,600)	(133,500)
Total other financing sources (uses)	142,627	(38,900)	(11,500)	(1,600)	90,627
Excess of revenues and other sources over/(under) expenditures and other uses	(16,863)	17,831	(50,097)	(389)	(49,518)
Fund balance, January 1, 2018	129,861	14,624	81,852	1,544	227,881
Fund balance, December 31, 2018	$ 112,998	$ 32,455	$ 31,755	$ 1,155	$ 178,363

The accompanying notes are an integral part of these financial statements.

City of Mount Vernon, Georgia
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2018

Net change in fund balances - total government funds		$ (49,518)
Amounts reported for governmental activities on the statement of activities are different because of the following:		
Governmental funds report capital outlays as expenditures. However, on the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current year:		
Capital outlay - Depreciable capital assets	$ 124,313	
Depreciation	(160,477)	
		(36,164)
Some expenses reported in the statement of activities do not require the use of financial resources, and therefore, are not reported as expenditures in the government funds. These expenses are:		
Change in net pension liability		(16,285)
The repayment of long-term debt consumes the current financial resources of the government funds; debt repayment decreases long-term liabilities in the statement of net postion.		67,582
The issuance of long-term debt is reported as an other financing source at the fund level but is reported as a liability on the government wide statement of net position		(115,188)
Change in net position of governmental activities		$ (149,573)

The accompanying notes are an integral part of these financial statements.

City of Mount Vernon, Georgia
General Fund
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Year Ended December 31, 2018

	Actual	Original Budget	Final Budget	Variance with Final Budget
Current Operating Revenues:				
Taxes	$ 521,704	$ 477,000	$ 477,000	$ 44,704
Licenses and permits	20,342	18,000	18,000	2,342
Charges for services	234,223	218,000	218,000	16,223
Fines and forfeitures	18,140	26,000	26,000	(7,860)
Rent revenue	10,165	7,500	7,500	2,665
Other income	22,964	50,000	50,000	(27,036)
Total revenues	827,538	796,500	796,500	31,038
Expenditures:				
Current:				
General government	490,211	540,502	540,502	50,291
Public safety	242,414	255,000	255,000	12,586
Street and sanitation	89,892	95,000	95,000	5,108
Debt service:				
Principal	38,910	38,910	38,910	-
Interest	1,288	1,288	1,288	-
Capital outlays:				
General government	113,748	120,000	120,000	6,252
Public safety	10,565	15,000	15,000	4,435
Total Expenses	987,028	1,065,700	1,065,700	78,672
Excess of revenues over/ (under) expenditures	(159,490)	(269,200)	(269,200)	109,710
Other Financiang Sources (uses):				
Loan proceeds	115,188	-	-	115,188
Transfers in	54,939	269,200	269,200	(214,261)
Transfers out	(27,500)	-	-	(27,500)
Total other financing sources (uses)	142,627	269,200	269,200	(126,573)
Net changes in fund balance	(16,863)	-	-	(16,863)
Fund balance, beginning of year	129,861	129,861	129,861	-
Fund balance, end of year	$ 112,998	$ 129,861	$ 129,861	$ (16,863)

The accompanying notes are an integral part of these financial statements.

City of Mount Vernon, Georgia
Hotel/Motel Fund
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Year Ended December 31, 2018

	Actual	Original Budget	Final Budget	Variance with Final Budget
Current Operating Revenues:				
Hotel/motel tax	$ 2,553	$ 2,000	$ 2,000	$ 553
Total	2,553	2,000	2,000	553
Expenditures:				
Current:				
General government	1,342	2,000	2,000	658
Public safety	-	-	-	-
Street and sanitation	-	-	-	-
Capital outlays:				
General government	-	-	-	-
Public safety	-	-	-	-
Total Expenses	1,342	2,000	2,000	658
Excess of revenues over/ (under) expenditures	1,211	-	-	1,211
Other Financiang Sources (uses):				
Transfers in	-	-	-	-
Transfers out	(1,600)	-	-	(1,600)
Total other financing sources (uses)	(1,600)	-	-	(1,600)
Net changes in fund balance	(389)	-	-	(389)
Fund balance, beginning of year	1,544	1,544	1,544	-
Fund balance, end of year	$ 1,155	$ 1,544	$ 1,544	$ (389)

The accompanying notes are an integral part of these financial statements.

City of Mount Vernon, Georgia
SPLOST
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Year Ended December 31, 2018

	Actual	Original Budget	Final Budget	Variance with Final Budget
Current Operating Revenues:				
Intergovernmental	$ 168,138	$ 140,000	$ 140,000	$ 28,138
Total	168,138	140,000	140,000	28,138
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Streets and highways	76,426	105,019	105,019	28,593
Debt service:				
Principal	28,672	28,672	28,672	-
Interest	6,309	6,309	6,309	-
Capital outlays:				
General government	-	-	-	-
Streets and highways	-	-	-	-
Public safety	-	-	-	-
Sanitation and environmental	-	-	-	-
Total Expenses	111,407	140,000	140,000	28,593
Excess of revenues over/ (under) expenditures	56,731	-	-	56,731
Other Financiang Sources (uses):				
Transfers in	13,500	-	-	13,500
Transfers out	(52,400)	-	-	(52,400)
Total other financing sources (uses)	(38,900)	-	-	(38,900)
Net changes in fund balance	17,831	-	-	17,831
Fund balance, beginning of year	14,624	14,624	14,624	-
Fund balance, end of year	$ 32,455	$ 14,624	$ 14,624	$ 17,831

The accompanying notes are an integral part of these financial statements.

City of Mount Vernon, Georgia
TSPLOST
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Year Ended December 31, 2018

	Actual	Original Budget	Final Budget	Variance with Final Budget
Revenues:				
Intergovernmental	$ 69,279	$ 185,800	$ 185,800	$ (116,521)
Total	69,279	185,800	185,800	(116,521)
Expenditures:				
Current:				
General government	-	-	-	-
Transportation	107,876	185,800	185,800	77,924
Public safety	-	-	-	-
Sanitation and environmental	-	-	-	-
Capital outlays:				
General government	-	-	-	-
Transportation	-	-	-	-
Public safety	-	-	-	-
Sanitation and environmental	-	-	-	-
Total Expenses	107,876	185,800	185,800	77,924
Excess of revenues over/ (under) expenditures	(38,597)	-	-	(38,597)
Other Financiang Sources (uses):				
Transfers in	40,500	-	-	40,500
Transfers out	(52,000)	-	-	(52,000)
Total other financing sources (uses)	(11,500)	-	-	(11,500)
Net changes in fund balance	(50,097)	-	-	(50,097)
Fund balance, beginning of year	81,852	81,852	81,852	-
Fund balance, end of year	$ 31,755	$ 81,852	$ 81,852	$ (50,097)

The accompanying notes are an integral part of these financial statements.

City of Mount Vernon, Georgia
Statement of Net Position
Proprietary Funds
December 31, 2018

	Water & Sewer Fund
ASSETS	
Current assets:	
Cash	$ 23,159
Accounts receivable	63,933
Total current assets	87,092
Noncurrent assets:	
Capital assets, net	2,441,606
Total non-current assets	2,441,606
Total assets	$ 2,528,698
LIABILITIES	
Current liabilities:	
Deposits payable	$ 49,979
Revenue bonds	43,640
GEFA notes payable	140,206
Total current liabilities	233,825
Noncurrent liabilities:	
Revenue bonds	233,628
GEFA notes payable	1,071,092
Total noncurrent liabilities	1,304,720
Total liabilities	1,538,545
NET POSITION	
Net investment in capital assets	953,040
Restricted for debt service	183,846
Unrestricted	(146,733)
Total net position	990,153
Total liabilities and net position	$ 2,528,698

The accompanying notes are an integral part of these financial statements.

City of Mount Vernon, Georgia
Statement of Revenues, Expenses, and
Changes in Fund Net Position - Proprietary Funds
For the Year Ended December 31, 2018

	Water & Sewer
Operating Revenues:	
Water and sewer fees	$ 668,933
Late fees	14,144
Connection fees	7,613
Meter installation	3,250
Other	508
Total operating revenues	694,448
Operating Expenses:	
Salaries	161,472
Payroll taxes	12,353
Utilities	90,710
Repairs	35,111
Supplies	92,217
Dues and subscriptions	3,080
Postage and freight	3,165
Miscellaneous	3,155
Travel and meals	133
Prisoner labor	19,750
Engineering fees	7,000
Lab test fees	36,084
Uniforms	6,620
Gas, oil & fuel	29,972
Office supplies	904
Depreciation	152,664
Total operating expenses	654,389
Net operating income (loss)	40,059
Non-operating revenues (expenses):	
Interest income	24
Interest and fees on bonds and loans	(51,486)
Total non-operating revenue (expense)	(51,462)
Income (loss) before transfers	(11,403)
Transfers in	24,561
Change in net position	13,158
Net position - beginning of year	976,995
Net position - ending of the year	$ 990,153

The accompanying notes are an integral part of these financial statements.

City of Mount Vernon, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Water & Sewer
Cash flows from operating activities:	
Receipts from customers	$ 698,314
Payments to suppliers for goods and services	(319,800)
Payments to employees	(173,825)
Net cash provided (used) by operating activities	204,689
Cash flows from capital and related financing activities:	
Interest paid on debt	(51,486)
Principal paid on GEFA loans	(135,352)
Revenue bonds retired	(42,245)
Net cash provided (used) by capital and related financing activities	(229,083)
Cash flows from noncapital financing activities:	
Transfers in from other funds	24,561
Net cash provided (used) by noncapital financing activities	24,561
Cash flows from investing activities:	
Investment income	24
Net cash provided (used) by investing activities	24
Net increase (decrease) in cash	191
Cash, beginning	22,968
Cash, ending	$ 23,159
Reconciliation of net income to net cash provided (used) by operating activities:	
Operating income	$ 40,059
Depreciation	152,664
Change in accounts receivable	3,866
Change in accounts payable	8,100
Net cash provided (used) by operating activities	$ 204,689

The accompanying notes to financial statements are an integral part of these statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Mount Vernon, Georiga (the "City") operates under a council/mayor form of government and provides the following services: general and administration, public safety, and highways. In addition, the City operates a water and sewer system for the incorporated areas.

Section 2100 of the standards published by the Governmental Accounting Standards Board (GASB) defines the reporting entity as the primary government and all its component units, if any. According to GASB-14, the identification of a financial reporting entity is based on the concept of financial accountability. GASB-14 defines a primary government as a government that:

1. Has a separately elected governing body;
2. Is legally separate; and
3. Is fiscally independent of other state and local governments.

For financial reporting purposes, in accordance with the criteria in GASB Standards, the City includes all funds, account groups, agencies, boards, commissions, and authorities that are within its primary government. A component unit is a legally separate organization for which elected officials of a primary government are financially accountable. There are three sets of criteria that the City evaluates to determine whether a potential component unit will be included in the reporting entity of the City of Mount Vernon. They are financial accountability, financial accountability as a result of fiscal dependency, and misleading to exclude the component unit.

The reporting entity of the City of Mount Vernon includes only these funds and account groups that comprise the primary government. There are no potential component units.

B. Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Direct expenses are those that are specifically associated with a service, program, or department and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods, or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with the program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column.

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The City has two categories of funds, governmental and proprietary, which are summarized below.

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances, of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

The following are the City's major governmental funds:

General Fund - The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Georgia.

SPLOST Fund – This is a capital projects fund, which accounts for monies from the special 1% sales tax. These funds are restricted for road and street repair, retirement of debt, capital projects, and recreation.

T-SPLOST Fund- This fund accounts for monies from the 1% transportation special purpose sales tax. These funds are restricted for transportation projects.

Hotel / Motel Fund - This Hotel Motel Fund account is for the 5% lodging tax levied by the city. The funds are restricted for tourism.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances). Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party - such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the City Council. The committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council or a City official delegated that authority by the City or ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, or unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Proprietary Funds

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

The principal operating revenues of the City's proprietary fund are sales and services related to the water and sewer system. Operating expenses for the proprietary fund are cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. All assets and liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position. The following is the City's major Proprietary Fund:

Water/Sewer Fund – This fund accounts for the operating activities of the City's water and sewer utilities services.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position.

Governmental fund financial statements are prepared using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recognized in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days after year- end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from sales taxes is recognized in the period in which the sales are made. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: sales taxes, charges for services, fines and forfeitures, grants, interest, and rent.

Deferred Revenues

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgetary Data

The City's annual budget is prepared based on anticipated revenues and appropriated expenditures. Revenue anticipations, generally conservative, are designed to insure fiscal responsibility and maintain a balanced budget. The responsibility of budgeting is with the Mayor.

Prior to December 1, the Mayor submits to the Council a proposed operating budget for the fiscal year commencing on January 1. The operating budget includes proposed expenditures and the means of financing them. The Council holds a public hearing on the budget, giving notice thereof at least ten days in advance by publication in the official organ. The budget is then revised and adopted by the Council at the first regular meeting in January of the year to which it applies.

The budget so adopted may be revised during the year only by formal action of the Council in a regular meeting, and no increase shall be made therein without provision also being made for financing. Budgets for the General Fund are adopted on a basis consistent with generally accepted accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the council, if such amendments are considered to the budget as a whole. All budgeted appropriations lapse at year end.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed. Accordingly, encumbrances outstanding at year-end are not reported as reservations of fund balances nor do they constitute expenditures or liabilities. Generally accepted accounting principles do not require encumbrance accounting. Likewise, City of Mount Vernon does not use encumbrance accounting.

F. Inventories

Inventory consists of expendable supplies held for consumption. The cost of these supplies on hand are considered immaterial to the balance sheets of the various funds and are not shown as assets of the funds nor is any portion of the fund balance reported as reserved for inventories. Inventory type items are recorded as an expense/expenditure when purchased.

G. Cash and Investments

For purposes of the statement of net position, cash and investments with a maturity of three months or less at the time they are purchased by the City are considered to be cash and cash equivalents. Investments with maturity of more than three months are reported as investments.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Prepaid Items

Payments to vendors for services that will benefit periods beyond December 31, 2018, are reported as prepaid items by recording a current asset for the prepaid amount and reflecting the expenditure/ expense in the year in which services are consumed.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Certain cash resources are set aside for various purposes in the special revenue funds. These restricted funds are classified as restricted assets on the balance sheet because their use is limited. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

J. Capital Assets

General capital assets are capital assets, which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The City maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Prior infrastructure has not been capitalized.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using mainly the straight-line method over the following useful lives:

Description	Estimated Lives
Building and Building Improvements	40-50 years
Water and Sewer System	30-50 years
Machinery and Equipment	5-15 years

K. Compensated absences

Accumulated unpaid vacation, sick pay, and other employee benefit amounts are accrued when incurred in all fund types. At December 31, 2018, no significant accruals existed.

L. Interfund Receivables/Payables

On Fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Due to other funds/Due from other funds". Interfund balances within governmental activities are eliminated on the government-wide statement of net assets.

M. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from estimates.

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outlfows of resources,* represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category; it is related to pensions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred infows of resources* , represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises under the accrual basis of accounting, that qualifies for reporting in this category; it is related to pensions.

NOTE 2. DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. State statutes and the governments depository policy require all deposits to be collateralized by depository insurance or pledged collateral.

All deposits are in one financial institution and are carried at cost plus accrued interest. Bank balances of deposits are entirely insured or collateralized with securities pledged by the bank as follows:

	Carrying Amount	Bank Balance	Bank	Funds
Insured (FDIC)	$ 43,129	$ 76,851	Mt Vernon Bank	General Fund
Insured (FDIC)	23,159	46,356	Mt Vernon Bank	Proprietary Fund
	$ 66,288	$ 123,208		

NOTE 3. PROPERTY TAXES

The City of Mount Vernon, Georgia, did not levy any property taxes for the year ended December 31, 2018.

NOTE 4. PENSION PLAN

Plan Description

The City contributes to the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer public employee retirement system that acts as an investment and adminstrative agent for cities and municipalities in Georgia. The City has the right to establish and amend the benefit provisions of the plan. These amendments become effective once approved by the Board of Trustees of GMEBS. The plan is a defined benefit plan.

Benefits Provided

The City's defined benefit plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions and all other requirements are established by state statute and City ordinance. Benefits are paid in relation to the participants final average earnings for the five years of service preceding retirement. There is no waiting period for employees to become eligible to participate in the plan. Participants begin vesting after five years and are fully vested after ten years.

NOTE 4. PENSION PLAN (CONTINUED)

Funding Policy

The City's policy is to fund the accrued pension expense each year, which is the sum of the normal cost plus the amount required to amortize the unfunded frozen initial liability over thirty years plus interest thereon. Under Part I, Article VIII of the Master Retirement Plan For The City of Mount Vernon, Georgia adopted by ordinance of the City of Mount Vernon, the City has the sole obligation for making contributions to the Plan. The City's current year covered payroll and current year total payroll were $419,329 and $488,443, respectively. Total pension plan expense for the current plan year is $53,458. The interest rate used in making the projections was 7.5%. Projected salary increases included 2.75% for inflation and 0% for merit or seniority.

At July 1, 2018, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	4
Vested terminated employees	2
Active employees	10
Total membership in the plan	16

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The City's net pension liability was measured as of March 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018.

At December 31, 2018, the City reported a net pension liability of $255,235.

The changes in the components of the net pension liability of the City for the year ended December 31, 2018, were as follows:

	Schedule of Changes in Net Pension Liability		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balance at March 31, 2017	$ 915,779	$ 694,210	$ 221,569
Changes for the year:			
Service cost	19,892	-	19,892
Interest	69,940	-	69,940
Differences between expected and actual experience	49,471	-	49,471
Contributions - employer	-	37,173	(37,173)
Contributions - employee	-	-	-
Net investment income	-	85,667	(85,667)
Benefit payments, including refunds of employee contributions	(26,667)	(26,667)	-
Administrative expense	-	(3,640)	3,640
Other	13,563	-	13,563
Net changes	126,199	92,533	33,666
Balance at March 31, 2018	$ 1,041,978	$ 786,743	$ 255,235

NOTE 4. PENSION PLAN (CONTINUED)

For the year ended December 31, 2018, the City recognized pension expense of $16,285. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 79,024	$ (4,604)
Changes of assumptions	11,305	(951)
Net difference between projected and actual earnings on pension plan investments	-	(26,693)
Total	$ 90,329	$ (32,248)

Amounts reported as deferred outflows of resources and deferred inflows or resources related to pensions will be recognized in pension expense as follows:

For the year ended December 31,	Amount
2019	$ 14,055
2020	16,213
2021	7,283
2022	10,024
2023	10,506
Thereafter	-

Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	2.75% plus service based merit increases
Investment rate of return	7.50%

Morality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period of January 1, 2010 through June 30, 2014.

NOTE 4. PENSION PLAN (CONTINUED)

The long term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45%	6.71%
International equity	20%	7.71%
Real estate	10%	5.21%
Global fixed income	5%	3.36%
Domestic fixed income	20%	2.11%
Cash	0%	
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's Net Pension Liability	$ 381,308	$ 255,235	$ 148,153

NOTE 5. PERMISSIVE SALES TAX

On May 20, 2014, a referendum was passed by the voters of Montgomery County to impose a 1% special purpose tax on all retail taxable sales within the County. The tax became effective January 1, 2015, with an expiration date of December 31, 2020, or the raising of not more than $ 5,500,000, whichever comes first.

The Transportation Investment Act passed and was implemented beginning January 1, 2013 by the Heart of Georgia region of which City of Mount Vernon is a member. This is a 1% regional sales tax that will fund transportation improvements.

NOTE 6. RECEIVABLES

Receivables at December 31, 2018, consist of sales taxes, franchise taxes, motor vehicle taxes, and user charged servies. All amounts due from other governments are considered collectible in full.

A summary of the principal amounts due are as follows:

Fund	Description	Amount
Proprietary Fund		
Water/Sewer	Charges for services	$ 63,933
Total proprietary funds		$ 63,933
Governmental Funds		
General Fund	Franchise tax	$ 103,085
SPLOST Fund	Special sales tax	27,803
General Fund	LOST	15,198
TSPLOST Fund	Special sales tax	3,320
General Fund	TAVT	4,361
General Fund	Fire service	2,300
General Fund	Garbage fees	17,738
Total governmental funds		$ 173,805

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance at January 1, 2018	Additions	Reductions	Balance at December 31, 2018
Governmental Activities				
Nondepreciable capital assets:				
Construction in progress	$ 93,765	$ 10,565	$ -	$ 104,330
Land	275,387	80,000	-	355,387
Total nondepreciable capital assets	369,152	90,565	-	459,717
Depreciable capital assets:				
Buildings	712,363	-	-	712,363
Equipment	1,048,480	33,748	(35,125)	1,047,103
Improvements	1,030,786	-	-	1,030,786
Total depreciable capital assets	2,791,629	33,748	(35,125)	2,790,252
Less accumulated depreciation for:				
Buildings	(445,990)	(32,734)	-	(478,724)
Equipment	(889,555)	(57,716)	35,125	(912,146)
Improvements	(192,794)	(70,027)	-	(262,821)
Total accumulated depreciation	(1,528,339)	(160,477)	35,125	(1,653,691)
Total depreciable capital assets, net	1,263,290	(126,729)	-	1,136,561
Governmental Activities Capital Assets, net	$ 1,632,442	$ (36,164)	$ -	$ 1,596,278

	Balance at January 1, 2018	Additions	Reductions	Balance at December 31, 2018
Business-type Activities				
Depreciable capital assets:				
Water & sewer system	$ 5,182,527	$ -	$ -	$ 5,182,527
Equipment	323,873	-	-	323,873
Improvements	25,000	-	-	25,000
Total depreciable capital assets	5,531,400	-	-	5,531,400
Less accumulated depreciation for:				
Water & sewer system	(2,608,673)	(150,997)	-	(2,759,670)
Equipment	(323,873)	-	-	(323,873)
Improvements	(4,584)	(1,667)	-	(6,251)
Total accumulated depreciation	(2,937,130)	(152,664)	-	(3,089,794)
Busines-type Activities Capital Assets, net	$ 2,594,270	$ (152,664)	$ -	$ 2,441,606

NOTE 7. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
General government	$ 58,653
Public safety	14,613
Sanitation and environmental	1,621
Streets and highways	85,590
Total depreciation expense - governmental activities	$ 160,477

NOTE 8. NOTES PAYABLE

A summary of activity in short-term debt for the year ended December 31, 2018, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Note payable to Mount Vernon Bank, interest rate of 3.50%, matures 1/30/2019	$ -	$ 81,440	$ -	$ 81,440

The purpose of this note was to purchase real estate.

NOTE 8. NOTES PAYABLE (CONTINUED)

A summary of activity in long-term liabilities for the year ended December 31, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Caterpillar note, interest rate of 2.35%, 5 annual payments and balloon, matures on 12/31/2020	$ 91,128	$ -	$ (18,167)	$ 72,961	$ 9,419
Note payable to KS StateBank - 2007 F-350, matures on 7/9/18	3,985	-	(3,985)	-	-
Note payable to KS StateBank - 2016 Ford Interceptors, matures on 10/25/18	23,153	-	(23,153)	-	-
Note payable to Mount Vernon Bank - 2017 Chevrolet Silverado, interest rate of 2.50%, 12 quarterly payments, matures on 5/12/2020	26,240	-	(10,259)	15,981	10,558
Note payable to Ford Motor Company - 2018 Ford F-150, interest rate of 7.0%, due in three annual payments, matures on 3/23/2020	-	33,748	(12,018)	21,730	10,497
Total governmental	$ 144,506	$ 33,748	$ (67,582)	$ 110,672	$ 30,474

NOTE 8. NOTES PAYABLE (CONTINUED)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue bonds, interest rate of 3.00%, matures 4/1/2025	$ 319,513	$ -	$ (42,246)	$ 277,267	$ -
GEFA note payable, interest rate of 3.00%, matures on 3/1/2025	$ 271,277	-	(34,012)	237,265	35,047
GEFA note payable, interest rate of 3.89%, matures on 11/1/2025	$ 806,527	-	(88,753)	717,774	92,267
GEFA note payable, interest rate of 2.40%, matures on 5/1/2035	268,846	-	(12,587)	256,259	12,893
Total business-type	$ 1,666,163	$ -	$ (177,598)	$ 1,488,565	$ 140,207

The following is a schedule of future principal and interest payments for governmental activities:

Year	Principal	Interest	Total
2019	$ 30,475	$ 3,603	$ 34,078
2020	80,197	2,504	82,701
2021	-	-	-
2022	-	-	-
2023	-	-	-
Totals	$ 110,672	$ 6,107	$ 116,779

NOTE 8. NOTES PAYABLE (CONTINUED

The following are schedules of future principal and interest payments for business-type activities:

Revenue bonds

Year	Principal	Interest	Total
2019	$ 43,640	$ 8,360	$ 52,000
2020	41,560	6,440	48,000
2021	42,824	5,176	48,000
2022	44,126	3,874	48,000
2023	45,468	2,532	48,000
2024-2028	59,649	1,215	60,864
Totals	$ 277,267	$ 27,597	$ 304,864

GEFA notes

Year	Principal	Interest	Total
2019	$ 140,206	$ 38,932	$ 179,138
2020	145,227	33,911	179,138
2021	150,462	28,677	179,139
2022	155,865	23,273	179,138
2023	161,473	17,666	179,139
2024-2028	345,760	27,838	373,598
2029-2033	86,002	8,505	94,507
2034-2038	26,303	476	26,779
Totals	$ 1,211,298	$ 179,278	$ 1,390,576

NOTE 9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Municipal Association Self-Insurance Workers Compensation Fund and the Association City Commissioners of Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund (ACCG-IRMA), public entity risk pools currently operating as a common risk management and insurance program for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim or loss. The City is also to allow the pool's agents and attorneys to represent the City in an investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

NOTE 9. RISK MANAGEMENT (CONTINUED)

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

NOTE 10. JOINT VENTURE

Under Georgia law, the City of Mount Vernon, in conjunction with other municipalities in the seventeen county central Georgia area, is a member of the Heart of Georgia Altamaha Regional Commission and is required to pay annual dues thereto. Membership in an RC is required by the official code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the RC in Georgia. The RC board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39-1 provides that the member governments are liable for any debts or obligations of an RC.

Separate financial statements may be obtained from:

Heart of Georgia Altamaha Regional Commission
5405 Oak Street
Eastman, Georgia 31023

NOTE 11. CONTINGENCIES

There are no contingencies or threatened litigation that would have a material effect on the financial statements.

NOTE 12. SUBSEQUENT EVENTS

There are no events after December 31, 2018, and through September 13, 2019, the date the financial statements were available to be issued, that would have a material effect on the financial statements.

NOTE 13. RELATED ORGANIZATIONS

The Housing Authority of the City of Mount Vernon, Georgia is considered a related organization based upon the criteria in GASB Statement 14. The Housing Authority is a legally separate entity having a board composed of members appointed originally by the City of Mount Vernon, Georgia. The City of Mount Vernon, Georgia is not able to impose its will upon the Housing Authority, and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria above, the Housing Authority of the City of Mount Vernon, Georgia is a related organization.

NOTE 14. HOTEL/MOTEL LODGING TAX

The city has levied a 5% lodging tax. A summary of the transactions for the year ended December 31, 2018 follows:

Lodging Tax Receipts	$	2,553
Disbursements	$	1,342

All expenditures were for promotion of tourism as required by O.C.G.A. 48-13-41

NOTE 15. INTERFUND TRANSFERS

The Hotel/Motel Fund transferred $1,000 to the General Fund to help cover general government expenses and $600 to the Water and Sewer Fund to help cover water and sewer expenses. The T-SPLOST Fund transferred $6,500 to the SPLOST Fund to help with sidewalk expenses and $9,000 to Water and Sewer Fund to help cover debt payments. The SPLOST Fund transferred $26,900 to the Water and Sewer Fund to help fund water and sewer improvements and $18,500 to General Fund to help fund road and street expenses. The General Fund transferred $4,000 to the T-SPLOST Fund to help with streets and highway expenses. The Water & Sewer Fund transferred $11,939 to the General Fund to help cover the general government expenses.

NOTE 16. EXPENDITURES OVER APPROPRIATIONS

There were no expenditures exceeding budget for the year ended December 31, 2018.

Required Supplementary Information

City of Mount Vernon, Georgia
Required Supplementary Information
Schedule of Changes in the City's Net Pension Liability
For the Years Ended December 31, 2018, 2017, 2016, and 2015

	2018	2017	2016	2015
Total Pension Liability				
Service cost	$ 19,892	$ 19,057	$ 26,992	$ 25,176
Interest	69,940	65,953	57,667	52,134
Differences between expected and actual experience	49,471	(6,904)	48,922	22,969
Changes of assumptions	13,563	-	-	(2,216)
Changes of benefit terms	-	-	-	-
Benefit payments, including refunds of employee contributions	(26,667)	(26,667)	(26,667)	(26,667)
Net change in total pension liability	126,199	51,439	106,914	71,396
Total pension liability - beginning	915,779	864,340	757,426	686,030
Total pension liability - ending (a)	$ 1,041,978	$ 915,779	$ 864,340	$ 757,426
Plan fiduciary net position				
Contributions - employer	$ 37,173	$ 55,818	$ 18,944	$ 34,080
Contributions - employee	-	-	-	-
Net investment income	85,667	75,492	1,599	53,107
Benefit payments, including refunds of employee contributions	(26,667)	(26,667)	(26,667)	(26,667)
Administrative expense	(3,640)	(3,750)	(2,340)	(2,103)
Other	-	-	-	-
Net change in plan fiduciary net position	92,533	100,893	(8,464)	58,417
Plan fiduciary net position - beginning	694,210	593,317	601,781	543,364
Plan fiduciary net position - ending (b)	$ 786,743	$ 694,210	$ 593,317	$ 601,781
City's net pension liability (assets) - ending (a) - (b)	$ 255,235	$ 221,569	$ 271,023	$ 155,645
Plan's fiduciary net position as a percentage of the total pension liability (asset)	75.50%	75.81%	68.64%	79.45%
Covered-employee payroll	$ 419,329	$ 402,570	$ 400,636	$ 404,572
Net pension liability as a percentage of covered-employee payroll	60.87%	55.04%	67.65%	38.47%

City of Mount Vernon, Georgia
Required Supplementary Information
Schedule of City Contributions
For the Years Ended December 31, 2018, 2017, 2016, and 2015

		2018	2017	2016	2015
Actuarially determined contribution	*	$ -	$ 40,289	$ 37,627	$ 32,475
Contributions in relation to the acturarially determined contribution	*	-	45,673	35,051	16,238
Contribution deficiency (excess)	*	$ -	$ (5,384)	$ 2,576	$ 16,237
Covered Employee Payroll		$ 419,329	$ 402,570	$ 400,636	$ 404,572
Contributions as a percentage of covered-employee payroll	*	0.00%	11.35%	8.75%	4.01%

* The 2018 information was not available at the the time of the actuarial report. These amounts will be determined after the fiscal year end and will be included in the 2019 valuation report.

City of Mount Vernon, Georgia
Notes to Required Supplementary Information
December 31, 2018

1. *Changes in Assumptions*

As a result of the new administrative fee structure approved by the Board, the administrative expense assumption was updated for fiscal years beginning in 2016.

Amounts reported for the fiscal year ending in 2018 and later reflect the following changes based on an actuarial study conducted in September 2017:

- The investment return assumption was decreased from 7.75% to 7.50%
- The inflation assumption was decreased from 3.25% to 2.75%

2. Method and Assumptions Used in Calculations of Actuarially Determined Contributions

Valuation Date:	The actuarially determined contribution was determinded as of July 1, 2018, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution will be reported for the fiscal year ending December 31, 2019.
Actuarial cost method	Projected Unit Credit
Amortization method	Closed level dollar for remaining unfunded liabilty
Remaining amortization period	Remaining amortization period varies for the bases, with a net effective amortization period of 12 years
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Actuarial Assumptions:	
Net investment rate of return	7.50%
Projected salary increases	2.75% plus service based merit increases
Cost of living adjustments	0.00%
Retirement age	65
Mortality	Mortality rates were based on RP-2000 combined mortality table

ckt CHRISTIAN, KELLY, THIGPEN & CO.
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 280
1312 Bellevue Avenue
Dublin, GA 31040
478-272-1344 phone
478-275-4538 fax
www.cktcpa.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
Mount Vernon, GA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Mount Vernon, Georgia as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Mount Vernon's basic financial statements and have issued our report thereon dated September 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Mount Vernon, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Mount Vernon, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Mount Vernon, Georgia's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying *Schedule of Findings and Questioned Costs* that we consider a significant deficiency. Refer to Item 2018-1.

A *significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Mount Vernon, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

City of Mount Vernon, Georgia's Responses to Findings

City of Mount Vernon, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christian, Kelly, Thigpen & Co., LLC

Dublin, GA
September 13, 2019

City of Mount Vernon, Georgia
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal Control over financial reporting:

Material weaknesses identified?	[ ]	Yes	[X]	No
Control deficiency (s) identified not considered to be material weaknesses?	[X]	Yes	[ ]	None reported
Noncompliance material to financial statements notes?	[ ]	Yes	[X]	No

Section II - Financial Statement Findings and Responses

Item 2018-1:
Segregation of Duties
Findings:

Due to the limited number of office personel, overlapping of duties exist in the City's operations, primarily in the area of cash receipts and disbursement. This overlapping of duties presents a situation where unauthorized use of assets could occur and not be detected within a timely period.

Recommendation:

We recommend that management continue to exercise alert supervision of employees in order to protect the assets of the City.

Planned corrective action:

The City's management plans to exercise alert supervision of employees and continue good internal controls within the City's daily activites to prevent the lack of separation of duties from causing a fraudulent environment.

City of Mount Vernon, Georgia
Status of Prior Audit Findings
December 31, 2018

Item 2017-1:

Segregation of Duties

Findings:

Due to the limited number of office personel, overlapping of duties exist in the City's operations, primarily in the area of cash receipts and disbursement. This overlapping of duties presents a situation where unauthorized use of assets could occur and not be detected within a timely period.

Auditee Response/Status:
Unresolved - see audit finding 2018-1.

Item 2017-2:

Expenditures over appropriations

Findings:

The City spent more than appropriated for T-SPLOST fund by $138,413 for transportation.

Auditee Response/Status:
Resolved

City of Mount Vernon, Georgia
Schedule of Special Purpose
Local Option Sales Tax
For the Year Ended December 31, 2018

The special 1 % sales and use tax referendum was renewed for five additional years beginning January 1, 2015 and ending December 31, 2020.

For special sales tax proceeds from January 1, 2018 to December 31, 2018:

Project	Original Estimated Costs	Revised Estimated Costs	Expenditures			Percentage Completed
			Prior Years	Current Year	Estimated Total	
Water and sewage improvements	$ -	$ -	$ -	$ -	$ -	0%
Road, street, bridge and drainage purposes	1,309,935	1,309,935	1,110,693	111,407	1,222,100	93%
	$ 1,309,935	$ 1,309,935	$ 1,110,693	$ 111,407	$1,222,100	

A special 1% sales and use tax for transportation improvements (TSPLOST) began January 1, 2013. The Georgia State Finance and Investment Commission transfers the 25% discretionary portion of the tax to the City based on its allocation percentage. The City can use the funds for any qualified transportation expenses.

For transportation special sales tax proceeds and expenditures from January 1, 2018 to December 31, 2018:

Project	Original Estimated Costs	Revised Estimated Costs	Expenditures			Percentage Completed
			Prior Years	Current Year	Estimated Total	
Transportation improvements	$ 698,055	$ 805,931	$ 698,055	$ 107,876	$ 805,931	100%

Note 1: These schedules are prepared on the modified accrual basis of accounting.